

Message Text

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ACTION EB-08

INFO OCT-01 EA-10 IO-13 ISO-00 AGRE-00 CEA-01 CIAE-00
COME-00 DODE-00 FRB-03 H-01 INR-10 INT-05 L-03
LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05 SS-15
STR-07 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02 OMB-01
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INFO USMISSION GENEVA

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GENEVA FOR USDEL MTN

E.O. 11652: N/A
TAGS: ETRD, MTN, KS
SUBJECT: TARIFF AND NTM INFORMATION FOR THE MTN

REF: A. STATE 138925; B, SEOUL A-139, 7/19/77; C) SEOUL A-3,
1/9/78, D. SEOUL A-222, 12/23/77, E. SEOUL A-91, 5/31/78V F. SEOUL
4770

SUMMARY: THIS CABLE PROVIDES THE LATEST INFORMATION ON
KOREA'S TARIFF SCHEDULE, AS REQUESTED IN REF. A, AND COMMENTS
ON THE U.S. REQUEST LIST FOR KOREA AT THE MULTIALTERAL TRADE
NEGOTIATIONS. END SUMMARY.

1. EMBASSY SENT FOUR COPIES OF KOREA'S 1978 TARIFF SCHEDULE,
BY TRANSMITTAL SLIP DATED MARCH 13, 1978, TO EA/K FOR
APPROPRIATE DISTRIBUTION TO WASHINGTON AGENCIES. USDOC
SHOULD INFORM EMBASSY IF COPY UNAVAILABLE AND WE WILL ATTEMPT
TO PROCURE ANOTHER FOR YOUR USE. WE ALSO RECOMMEND A
PERUSAL OF REF B, WHICH PROVIDES AN EXHAUSTIVE ANALYSIS OF
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KOREA'S TARIFF REFORM CURRENTLY UNDERWAY.

2. IN ADDITION TO REGULAR TARIFF SCHEDULE, WHICH REQUIRES
NATIONAL ASSEMBLY APPROVAL AND THEREFORE REMAINS UNCHANGED
FOR A PERIOD OF ONE YEAR (UNTIL SEPTEMBER OR OCTOBER OF EACH
YEAR), KOREA HAS A SCHEDULE OF FLEXIBLE RATES WHICH APPLIES
TO A LIMITED NUMBER OF IMPORT ITEMS DETERMINED BY PRESIDENTIAL

DECREE. THESE TARIFFS MAY BE ADJUSTED BY AS MUCH AS 50 PERCENTAGE POINTS UP OR DOWN AT THE DISCRETION OF THE PRESIDENT. REF. C PROVIDES AN EXPLANATION OF THE SYSTEM AS WELL AS THE MOST RECENT SCHEDULE OF FLEXIBLE TARIFF RATES AS OF JANUARY 1978. SINCE THEN, ONLY FOUR ADJUSTMENTS HAVE BEEN MADE, AS FOLLOWS: (A) CCCN 8706 -- PARTS OF BODY SHELL FOR PASSENGER CARS, LESS THAN 1,500 CC, TARIFF RAISED FROM 60 PC TO 110 PC; (B) CCCN 2523 -- PORTLAND CEMENT, TARIFF LOWERED FROM 20 PC TO ZERO; (C) CCCN 2701 -- ANTHRACITE COAL, TARIFF LOWERED FROM 20 PC TO ZERO; AND (D) CCCN 7315 -- COILS FOR REROLLING OF STAINLESS OR HEAT RESISTING STEEL, TARIFF LOWERED FROM 10 PC TO 5 PC. THE FIRST THREE ITEMS ARE NEW ADDITIONS TO THE FLEXIBLE TARIFF LIST.

3. WITH REGARD TO FUTURE TARIFF ADJUSTMENTS USDOC SHOULD BEAR IN MIND THAT KOREANS PLAN MAJOR REALIGNMENT OF TARIFFS, MAINLY UPWARDS, TO COMPENSATE FOR RECENT LIBERALIZATION OF NON-TARIFF BARRIERS (REFS D-F). TARIFFS ON LIBERALIZED ITEMS WHICH MAY POSE THREAT TO DOMESTIC PRODUCERS (E.G., ELECTRIC FANS, REFRIGERATORS, BLACK AND WHITE TV SETS) ARE EXPECTED TO RISE. IN FACT, IT IS EXPECTED THAT THE 48 "SURVEILLANCE" ITEMS LIBERALIZED LAST MAY 1 (REF E), COMPOSED OF ITEMS WHICH COULD CONCEIVABLY POSE THREAT TO LOCAL INDUSTRY, WILL BE ADDED TO FLEXIBLE TARIFF LIST TO ALLOW RAPID COMPENSATORY ACTION IF NEEDED. ON THE OTHER HAND, TARIFFS ON CERTAIN NECESSARY (AND NON-COMPETITIVE) RAW MATERIALS, CAPITAL EQUIP-

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MENT, AND FOODSTUFFS MAY BE LOWERED AS ANTI-INFLATIONARY MEASURE.

4. COMMENTS ON U.S. MTN REQUEST LIST

(A) WE NOTE THAT ITEMS ON U.S. REQUEST LIST CONSIST LARGELY OF MACHINERY, HEAVY EQUIPMENT, HIGH TECHNOLOGY ELECTRONICS, AND OTHER FINISHED PRODUCTS IN ADDITION TO CERTAIN PETRO-CHEMICALS AND RAW MATERIALS. WE BELIEVE THIS FOCUS IS THE CORRECT ONE AND GENERALLY REPRESENTS THE MOST PROMISING AREAS FOR INCREASED U.S. SALES IN KOREA. WE WILL HAVE TO PRESS OUR CASE HARD, HOWEVER, AS KOREA HAS SHOWN A RELUCTANCE TO LIBERALIZE IMPORTS OF ITEMS WHICH POSE ANY CONCEIVABLE THREAT TO FLEDGING KOREAN INDUSTRIES, PARTICULARLY IN THE HEAVY/CHEMICAL INDUSTRIAL SECTOR.

(B) WE ALSO CONCUR IN GENERAL APPROACH OF SEEKING AUTOMATIC APPROVAL FOR ITEMS PRESENTLY ON THE SO-CALLED IMPORT-RESTRICTED LIST. INCLUSION OF AN ITEM ON THE RESTRICTED LIST IS THE MECHANISM WHICH TRIGGERS PRIOR GOVERNMENT OR TRADE ASSOCIATION REVIEW OF IMPORT LICENSE APPLICATIONS, WHICH IN TURN OPENS THE DOOR TO THE MYRIAD OF RESTRICTIVE DEVICES SUCH AS THE END-

USER REQUIREMENT, THE EXPORT-IMPORT LINK REQUIREMENT, ADMINISTRATIVE IMPORT CEILINGS, ETC. AUTOMATIC APPROVAL STATUS FOR A GIVEN IMPORT ITEM APPEARS TO OFFER A GUARANTEE THAT SUCH SECOND-STAGE RESTRICTIONS WILL NOT COME INTO PLAY.

(C) A FEW OF THE NTM ITEMS ON THE U.S. REQUEST LIST APPEAR TO HAVE BEEN RENDERED OBSOLETE BY THE THREE RECENT WAVES OF IMPORT LIBERALIZATION IN KOREA -- THOSE OF LAST NOV/DEC (REF D), LAST MAY 1 (REF E), AND COMING UP ON JULY 1 (REF F). IT IS DIFFICULT TO MATCH KOREAN IMPORT LIBERALIZATION ITEMS EXPRESSED AS 4-DIGIT CCCN NUMBERS WITH U.S. REQUESTS WHICH ARE IN TERMS OF 8 DIGITS, BUT U.S. REQUESTS APPEAR TO HAVE BEEN MET IN WHOLE OR IN PART IN FOLLOWING CATEGORIES: CCCN 4701 (PULP); 4811 (WALLPAPER); 4814 (ENVELOPES); 8201 LIMITED OFFICIAL USE

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(HAND TOOLS); 8423 (WHEEL LOADERS); 8515 (B/W TV SETS LARGER THAN 9"); 8519 (SWITCHES, FUSES, ETC.); 8204 (SPECIAL HAND TOOLS); 8410 (SPECIAL PUMPS); AND 8706 (TRACTOR PARTS). WOULD SUGGEST A CLOSE REREADING OF REFS (D) - (F) SINCE THERE ARE OTHER LIBERALIZED ITEMS WHICH MAY MATCH WITH U.S. REQUEST LIST.

(D) IN NEGOTIATING TARIFF REDUCTIONS, WE WOULD SUGGEST THAT KOREA'S FLEXIBLE TARIFF SYSTEM BE BORN IN MIND. UDEL MTN MAY WISH TO SEEK ASSISTANCE THAT TARIFFS NEGOTIATED DOWNWARDS WILL NOT BE SUBJECT TO EARLY UPWARD REVISION UNDER FLEXIBLE TARIFF PROCEDURE.
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